BANK INDONESIA REGULATION

NUMBER 21/1/PBI/2019

ON

BANK'S EXTERNAL DEBT AND OTHER BANK LIABILITIES IN FOREIGN CURRENCY

BY THE BLESSINGS OF ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

Considering:

a. that bank's external debts and other bank liabilities in foreign currency is one of the national economic financing sources that require to be managed with due observance of the prudential principles as an effort to maintain macroeconomic and financial system stability;

b. that regulation on bank's external debts and other bank liabilities in foreign currency, in long-term and short term, must be in line with the development of national economy and banking as well as domestic financial market;

c. that based on the foregoing considerations as referred to in point a and point b, it is necessary to issue the Bank Indonesia Regulation on Bank's External Debt and Other Bank Liabilities in Foreign Currency;

Observing :

1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as several times amended and last by Law Number 6 of 2009 on Issuance of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
2. Law Number 24 of 1999 on Foreign Exchange Flow and Exchange Rate System (State Gazette of the Republic of Indonesia of 1999 Number 67, Supplement to State Gazette of the Republic of Indonesia Number 3844);

HAS DECIDED:

To Enact : BANK INDONESIA REGULATION ON BANK'S EXTERNAL DEBTS AND OTHER BANK LIABILITIES IN FOREIGN CURRENCY.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Bank Indonesia Regulation:

1. Bank means a commercial bank as specified in the Law on banking, and sharia commercial bank and as well as sharia business unit as specified in the Law on sharia banking, including a branch office of a bank domiciled overseas and an office of a commercial bank and a sharia commercial bank incorporated in Indonesia and operating overseas.

2. Bank's External Debt, hereinafter referred to as ULN Bank, means a Bank's External debt in foreign currency and/or rupiah, including financing under sharia principle.
3. Resident means resident as specified in the Law on foreign exchange flows and exchange rate system.
4. Short-Term Liabilities mean ULN Bank and other Bank liabilities in foreign currency with original maturity up to 1 (one) year.
5. Long-Term Liabilities mean ULN Bank and other Bank liabilities in foreign currency with original maturity more than 1 (one) year.
6. Domestic Foreign Currency Debt Securities hereinafter refer to as domestic debt securities in foreign currency issued by a Bank on the domestic stock exchange and also sold in private placement to Residents.
7. Risk Participation Transaction, hereinafter referred to as TPR, means risk transfer transaction of individual credit and/or other facilities based on a master risk participation agreement.
8. Financial Services Authority, hereinafter referred to as OJK, means the Financial Services Authority as specified in the Law on Financial Services Authority.
9. Working Day means the working day of Bank Indonesia.
10. Monetary Operation means the monetary operation as specified in Bank Indonesia Regulation on monetary operations.
11. Government Debt Securities, hereinafter referred to as SBN, means the government debt securities as specified in the Law on government debt instrument and government Islamic securities as specified in the Law on government Islamic securities.

CHAPTER II

SCOPE

Article 2

(1) A Bank may have ULN Bank and other Bank liabilities in foreign currency.

(2) The other Bank's liabilities in foreign currency as referred to in paragraph (1) shall take the following forms:
   a. domestic debt securities in foreign currency; and
   b. TPR.

(3) The ULN Bank and other Bank liabilities in foreign currency as referred to in paragraph (1) based on their terms consist of:
   a. Short-Term Liabilities; and
   b. Long-Term Liabilities.

(4) A Bank with ULN Bank and other Bank liabilities in foreign currency as referred to in paragraph (1) must apply the prudential principles.

Article 3

The ULN Bank as referred to in Article 2 paragraph (1) include:

a. ULN Bank based on a loan agreement;
b. ULN Bank based on debt securities;
c. ULN Bank in the forms of current accounts (giro), time deposits, savings, and call money; and
d. ULN Bank in other forms.

Article 4

(1) TPR included in Bank's other bank liabilities in foreign currency as referred to in Article 2 paragraph (2) point b is the TPR which meets the following requirements:

a. it is conducted by a Bank as a grantor with a Non-Resident, as a participant;

b. it is accompanied by a flow of fund from another party, who is a Non-Resident, as a participant to a Bank as a grantor at the effectiveness of a transaction (funded); and

c. it is without a transfer of a claim right from a Bank as a grantor to another party, who is a Non-Resident, as a participant.

(2) The TPR as referred to in paragraph (1) whose right to claim is transfered to another party, who is a Non-Resident, as a participant shall be treated as external debts of a Bank's debtor to a participant.

(3) A Bank is required to report the transfer of the claim right as referred to in paragraph (2) to Bank Indonesia.

(4) Further provisions on reporting on the transfer of the claim right as referred to in paragraph (3) are regulated in a Regulation of Member of Board of Governors.

CHAPTER III

PRUDENTIAL PRINCIPLES FOR SHORT-TERM LIABILITIES

Article 5

(1) A Bank is required to apply the prudential principles for Short-Term Liabilities by limiting the daily balance position of Short-Term Liabilities at the highest of 30% (thirty percent) of the Bank's capital.

(2) The Short-Term Liabilities as referred to in paragraph (1) consist of:

a. short-term ULN Bank;

b. short-term domestic debt securities in foreign currency ; and

c. short-term TPR.

(3) The Bank's obligation to limit the daily balance position of Short-Term Liabilities as referred to in paragraph (1) also applies to Long-Term Liabilities, whose period is shortened, so that the original maturity of the liabilities becomes up to 1 (one) year.

Article 6

(1) Bank Indonesia may exempt a Bank's obligation to limit the daily balance position of Short-Term Liabilities as referred to in Article 5 paragraph (1) in the event that the Bank extremely requires Short-Term Liabilities in order to overcome its urgent problem and/or to meet the authority's provisions based on information and/or recommendations of the relevant authority.

(2) Further provisions on the mechanism of exemption as referred to in paragraph (1) are regulated in a Regulation of Member of Board of Governors.

Article 7

(1) The obligation of a Bank to limit the daily balance position of Short-Term Liabilities as referred to in Article 5 paragraph (1) shall be exempted for:

a. short-term ULN Bank obtained from controlling shareholders in order to overcome the Bank's difficulty in liquidity;

b. short-term ULN Bank obtained from controlling shareholders for credit extension to real sector;

c. business fund of a Bank's branch office of a Bank domiciled overseas until 100% (one hundred percent) from the declared business fund.

d. the Bank's liabilities to Non-Residents arising from hedging transactions;

e. current accounts, savings, and time deposits of foreign country's representatives and international institutions, including staff member of the foreign country's representatives and international institutions;

f. current accounts of Non-Residents used for investment activities in Indonesia, including direct investment, purchase of shares, purchase of

Indonesia corporate bonds, purchase of SBN, and/or purchase of securities issued by Bank Indonesia;

g. current accounts of Non-Residents which deposit funds from reselling or divestments of direct investment, purchase of shares, purchase of Indonesia corporate bonds, purchase of SBN, and/or purchase of securities issued by Bank Indonesia;

h. current accounts of Non-Residents who are non-controlling shareholders which are used for credit extension to infrastructure projects;

i. current accounts of Non-Residents which deposit funds from issuance of bonds denominated in rupiah by supranational institutions for infrastructure project financing; and/or

j. current accounts or time deposits of Non-Residents aimed as temporary deposit accounts for funds from the Bank's paid-up capital as specified in the provisions of OJK.

(2) The exemption as referred to in paragraph (1) must be supported by a sufficient evidence.

(3) Further provisions for the a sufficient evidence as referred to in paragraph (2) are regulated in a Regulation of Member of Board of Governors.

Article 8

(1) A branch office of a Bank domiciled overseas is required to inform any determination and change of declared business fund to Bank Indonesia.

(2) A branch office of a Bank domiciled overseas is required to maintain the daily business fund position at the lowest of 90% (ninety percent) of the declared business fund as referred to in paragraph (1).

(3) A branch office of a Bank domiciled overseas may maintain the daily business fund position at more than 100% (one hundred percent) of the declared business fund as referred to in paragraph (1).

(4) The business fund excess as referred to in paragraph (3) shall be calculated as Short-Term Liabilities.

CHAPTER IV
PRUDENTIAL PRINCIPLES FOR LONG-TERM LIABILITIES

Article 9

(1) Any Bank intending to enter the market to obtain Long-Term Liabilities is required to first obtain an approval of a market entry plan from Bank Indonesia.

(2) The obligation to obtain an approval of the market entry plan as referred to in paragraph (1) shall also apply to Short-Term Liabilities whose term is extended more than 1 (one) year.

(3) The Long-Term Liabilities as referred to in paragraph (1) consist of:

a. long-term ULN Bank;

b. long-term domestic debt securities in foreign currency; and

c. long-term TPR.

(4) Any Bank is prohibited from receiving Long-Term Liabilities exceeding the amount specified in the market entry plan approved by Bank Indonesia as referred to in paragraph (1).

(5) Any Bank, which submits a request for approval of the market entry plan as referred to in paragraph (1), must first specify such plan in its business plan.

(6) The provisions on specifying the market entry plan in a Bank's business plan as referred to in paragraph (5) shall not apply to:

a. a request for approval of a market entry plan for Long-Term Liabilities in the form of subordinated loan based on the recommendation of OJK.

b. a request for approval of a market entry plan for Long-Term Liabilities extremely required to overcome the Bank's urgent problem and/or meet the relevant authority's provisions, conducted based on the relevant authority's information and/or recommendation.

Article 10

(1) Any Bank intending to enter the market shall submit a request to Bank Indonesia for approval of a market entry plan, and a copy of the request shall be delivered to OJK.

(2) The request for approval on market entry plan as referred to in paragraph (1) must be equipped with supporting documents.

Article 11

(1) Bank Indonesia may approve or reject any request submitted by a Bank for approval of a market entry plan.

(2) Bank Indonesia shall approve or reject any request for approval of a market entry plan upon considering the following:

a. Completeness of the supporting documents as referred to in Article 10 paragraph (2);

b. terms and conditions of Long-Term Liabilities;

c. macroeconomic and financial market condition;

d. financial system condition;

e. Bank's financial condition; and

f. any other matters deemed important by Bank Indonesia.

(3) In the process of approval of a market entry plan, Bank Indonesia shall coordinate with OJK to obtain data and information on a Bank's condition, including obtaining OJK's recommendations.

Article 12

Further provisions on the prudential principles for Bank's Long-Term Liabilities in the form of request for approval of market entry plan are regulated in a Regulation of Member of Board of Governors.

Article 13

(1) An approval of a market entry plan granted by Bank Indonesia shall be valid for 3 (three) months from the a approval date.

(2) In the event that a Bank has not entered the market until the expiry of the period as referred to in paragraph (1) and the Bank remains to plan to enter the market, the Bank must resubmit a request for approval of the market entry plan as referred to in Article 9 paragraph (1).

(3) Unrealized approval of a market entry plan as referred to in paragraph (1) may turn ineffective in the event that a Bank takes a corporate action.

(4) Further provisions on the validity of an approval on market entry plan for a Bank taking a corporate action as referred to in paragraph (3) are regulated in a Regulation of Member of Board of Governors.

Article 14

(1) A Bank is required to submit a report on realization of market entry not later than:

a 7 (seven) Working Days after the date it enters the market, for a ULN Bank in the form of loan agreement, ULN Bank in the form of debt securities issued through a private placement, Domestic Debt Securities in Foreign Currency issued through private placement, and TPR; and

b. 7 (seven) Working Days after a transaction settlement date, for a ULN Bank in the form of debt securities and Domestic Debt Securities in Foreign Currency issued through the stock exchange.

(2) A Bank shall be declared late in submitting the report on realization of the market entry as referred to in paragraph

(1) if the report is submitted exceeding the deadline as referred to in paragraph (1) until 10 (ten) Working Days after the deadline.

(3) A Bank shall be declared failed l to submit a report on the realization of the market entry as referred to in paragraph (1) if the report is not submitted until 10 (ten) Working Days after the deadline as referred to in paragraph (2).

(4) The report as referred to in paragraph (1) shall be addressed to Bank Indonesia, and a copy of the report shall be delivered to OJK.

(5) In the event that there are different terms and conditions for Long-Term Liabilities at the time, before, and after it enters the market, a Bank is required to sufficiently explain the causes of such differences in a report on the realization of the market entry as referred to in paragraph (1).

(6) If necessary, Bank Indonesia may request a Bank to submit information on the use of funds of long-term ULN Bank and long-term Domestic Debt Securities in Foreign Currency.

(7) Further provisions on the report on the realization of the market entry are regulated in a Regulation of Member of Board of Governors.

Article 15

Bank Indonesia may determine the ceiling of Long-Term Liabilities amount as referred to in Article 9 for individual Banks by considering debt sustainability analysis, proportionality of balance sheet, stability of monetary condition, adequacy of foreign exchange reserves, and other matters deemed important by Bank Indonesia.

CHAPTER V
SUPERVISION

Article 16

(1) Bank Indonesia shall supervise a Bank's compliance in the fulfillment of the provisions of this Bank Indonesia Regulation.

(2) In conducting the supervision as referred to in paragraph (1), Bank Indonesia may coordinate with OJK.

(3) The supervision as referred to in paragraph (1) includes:

   a. indirect supervision; and/or

   b. inspection.

Article 17

(1) In conducting supervision activities as referred to in Article 16, Bank Indonesia may request data, information, and/or details required to a Bank.

(2) A Bank is required to provide and submit the data, information, and/or details as referred to in paragraph (1)

(3) A Bank is responsible for the accuracy of data, information, and/or details submitted to Bank Indonesia.

CHAPTER VI
ADMINISTRATIVE SANCTIONS

Article 18

Any Bank which breaches the provisions of this Bank Indonesia Regulation, shall be subject to administrative sanctions in the form of:

a. A written warning;

b. A payment obligation;

c. A prohibition from submitting a request for approval of a market entry plan; and/or

d. A limitation of participation in Monetary Operations.

Article 19

(1) Any Bank which fails to submit the report on transfer of the claim right as referred to in Article 4 paragraph (3) shall be subject to administrative sanction in the form of a written warning.

(2) Any Bank which fails to inform a result of the determination and change of declared business fund to Bank Indonesia as referred to in Article 8 paragraph (1) shall be subject to administrative sanction in the form of a written warning.

(3) Any Bank, which fails to provide a clarification for the causes of different terms and conditions for Long-Term Liabilities at the time, before, and after it enters the market as referred to in Article 14 paragraph (5) or has provided a clarification but it is declared insufficient by Bank Indonesia, shall be subject to administrative sanction in the form of a written warning.

(4) Any Bank which fails to provide and submit the data, information, and/or details requested by Bank Indonesia as referred to in Article 17 paragraph (2) shall be subject to administrative sanction in the form of a written warning.

Article 20

(1) Any Bank which breaches the obligation of limitation of the daily balance position of Short-Term Liabilities as referred to in Article 5 paragraph (1) shall be subject to administrative sanction in the form of payment obligation of

0.01% (zero point zero one percent) of the excessive amount per day with the lowest total payment sanction of Rp10,000,000.00 (ten million rupiah) and the highest of Rp1,000,000,000.00 (one billion rupiah).

(2) Any Bank which breaches the obligation of maintenance of the daily position of business fund as referred to in Article 8 paragraph (2) shall be subject to an administrative sanction in the form of payment obligation of 0.01% (zero point zero one percent) of the shortage amount per day with the lowest total payment sanction of Rp10,000,000.00 (ten million rupiah) and the highest of Rp1,000,000,000.00 (one billion rupiah).

(3) A Bank which is late to submit the report on realization of the market entry plan as referred to in Article 14 paragraph (2) shall be subject to an administrative sanction in the form of payment obligation of Rp500,000.00 (five hundred thousand) per Working Day of lateness.

(4) Any party which fails to submit the report on realization of the market entry as referred to in Article 14 paragraph (3) shall be subject to administrative sanction in the form of payment obligation of Rp10,000,000.00 (ten million rupiah).

(5) The administrative sanction in the form of payment obligation as referred to in paragraph (4) shall not omit a Bank's obligation to submit the report on realization of the market entry plan.

Article 21

(1) Any Bank, which receives Long-Term Liabilities exceeds the amount specified in an approval of the market entry plan as referred to in Article 9 paragraph (4) shall be subject to administrative sanction in the form of payment obligation of 1% (one percent) of the excessive amount approved by Bank

Indonesia with the lowest payment sanction amount of Rp100,000,000.00 (one hundred million rupiah) and the highest of Rp5,000,000,000.00 (five billion rupiah).

(2) Any Bank, which receives Long-Term Liabilities exceeds the amount specified in an approval of the market entry plan as referred to in Article 9 paragraph (4) for the second time within 1 (one) year shall be subject to administrative sanctions in the form of :

a. payment obligation of 1% (one percent) of the excessive amount approved by Bank Indonesia with the lowest payment sanction amount of Rp100,000,000.00 (one hundred million rupiah) and the highest of Rp5,000,000,000.00 (five billion rupiah); and

b. prohibition of requesting an approval of a market entry plan for 1 (one) year.

Article 22

(1) Any Bank, which enters the market without obtaining a prior approval of market entry plan from Bank Indonesia as referred to in Article 9 paragraph (1) shall be subject to administrative sanctions in the form of:

a. payment obligation of 1% (one percent) of the agreed Long-Term Liabilities amount with the lowest payment sanction amount of Rp100,000,000.00 (one hundred million rupiah) and the highest of Rp5,000,000,000.00 (five billion rupiah); and

b. limitation of participation in Monetary Operations for 3 (three) months, namely it may only participate in Monetary Operation of repo tender instrument of 1-week SBN and lending facility/financing facility.

(2) Any Bank, which enters the market without obtaining a prior approval of market entry plan from Bank Indonesia as referred to in Article 9 paragraph (1) for the second time

shall be subject to administrative sanctions in the form of:

a. payment obligation of 1% (one percent) of the agreed Long-Term Liabilities amount with the lowest payment sanction amount of Rp100,000,000.00 (one hundred million rupiah) and the highest of Rp5,000,000,000.00 (five billion rupiah);
b. limitation of participation in Monetary Operations for 3 (three) months, namely it may only participate in Monetary Operation of lending facility/financing facility instrument; and
c. prohibition of requesting an approval of a market entry plan for 1 (one) year.

(3) The imposition period of an administrative sanction in the form of limitation of participation in Monetary Operations as referred to in paragraph (1) point b and paragraph (2) point b may be terminated if a Bank manages to show a proof of cancellation of Long-Term Liabilities transaction which is declared sufficient by Bank Indonesia.

Article 23

Bank Indonesia may consider to grant a relief or a release of an administrative sanction in the form of prohibition of requesting an approval of a market entry plan as referred to in Article 21 paragraph (2) point b and Article 22 paragraph (2) point c if a Bank is in the process of recovery based on a information and/or recommendations of a relevant authority.

Article 24

Bank Indonesia shall inform the sanction imposition as referred to in Article 19, Article 20, Article 21, and Article 22 to a Bank in writing, and a copy of the notice shall be delivered to OJK.

Article 25

Further provisions on the sanction imposition mechanism shall be regulated in a Regulation of Member of Board of Governors.

CHAPTER VII
OTHER PROVISIONS

Article 26

(1) Provisions in this Bank Indonesia Regulation shall not apply to a Bank's obligation in an international trade to the extent that such obligation is supported by sufficient underlying transactions.
(2) The Bank's obligation in international trade as referred to in paragraph (1) excludes pre-shipment financing facility.

CHAPTER VIII
CLOSING PROVISIONS

Article 27

At the time when this Bank Indonesia Regulation comes into force:

a. Bank Indonesia Regulation Number 7/1/PBI/2005 on Bank's External Debts (State Gazette of the Republic of Indonesia of 2005 Number 3, Supplement to State Gazette of the Republic of Indonesia Number 4467);
b. Bank Indonesia Regulation Number 10/20/PBI/2008 on Amendment to Bank Indonesia Regulation Number 7/1/PBI/2005 on Bank's Offshore Debts (State Gazette of the Republic of Indonesia of 2008 Number 146, Supplement to State Gazette of the Republic of Indonesia Number 4905);

c. Bank Indonesia Regulation Number 13/7/PBI/2011 on the Second Amendment to Bank Indonesia Regulation Number 7/1/PBI/2005 on Bank's Offshore Debts (State Gazette of the Republic of Indonesia of 2011 Number 14, Supplement to State Gazette of the Republic of Indonesia Number 5193);
d. Bank Indonesia Regulation Number 15/6/PBI/2013 on the Third Amendment to Bank Indonesia Regulation Number 7/1/PBI/2005 on Bank's Offshore Debts (State Gazette of the Republic of Indonesia of 2013 Number 147, Supplement to State Gazette of the Republic of Indonesia Number 5442); and
e. Bank Indonesia Regulation Number 16/7/PBI/2014 on the Fourth Amendment to Bank Indonesia Regulation Number 7/1/PBI/2005 on Bank's Offshore Debts (State Gazette of the Republic of Indonesia of 2014 Number 68, Supplement to State Gazette of the Republic of Indonesia Number 5523),

are repealed and declared ineffective, except Article 6 paragraph (1) and Article 7.

Article 28

This Bank Indonesia Regulation comes into force on 1 March 2019.

In order that every person may know hereof, it is ordered to promulgate this Bank Indonesia Regulation by its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta

On 7 January 2019

GOVERNOR OF BANK INDONESIA,

SIGNED

PERRY WARJIYO

Promulgated in Jakarta

on 9 January 2019

MINISTER OF LAW AND HUMAN RIGHTS OF

THE REPUBLIC OF INDONESIA,

TTD

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2019 NUMBER 2

ELUCIDATION
OF
BANK INDONESIA REGULATION
NUMBER 21/1/PBI/2019
ON
BANK'S EXTERNAL DEBT AND OTHER LIABILITIES IN FOREIGN CURRENCY

I. GENERAL

Bank's liabilities in the form of ULN Bank and other liabilities in foreign currency constitute one of the funding sources in development of national banking business activities. Fund originating from Banks, as intermediary institutions, in the form of ULN Bank and other Bank's liabilities in foreign currency will fund various business activities to boost economic growth and increase national economic capacity.

As a authorized authority, Bank Indonesia regulates ULN Bank and other Banks liabilities in foreign currency, both long term and short term, as a form of capital flow management and part of monetary policy. Capital flow management policy aims to influence capital flows to maintain macroeconomic and financial system stability.

The ULN Bank and other liabilities in foreign currency must also be conducted by observing the prudential principles in order to mitigate possibly various risks posibbly arise so as to prevent the vulnerability in the external sector of Indonesia. In addition, the regulation on ULN Bank and other liabilities Banks in foreign currency must be in harmony with the development of banking products and activities.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently Clear.

Article 2

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Sufficiently Clear.

Paragraph (3)

Sufficiently Clear.

Paragraph (4)

The term “The prudential principles” means activities of managing risks, including market risk, credit risk, liquidity risk, operational risk, compliance risk, and other risks.

Article 3

Point a

Sufficiently Clear.

Point b

The term “Debt securities” are among others, letter of credit (L/C), banker’s acceptance, bonds, commercial papers (CP), promissory notes (PN), and medium-term notes (MTN).

Point c

The term “Call money” means a an interbank placement or borrowing of funds in days.

Point d

The term “ULN Bank in other forms” means another ULN recorded on balance sheet, excluding other liabilities of interbank offices.

Article 4

Paragraph (1)

Point a

The term “Grantor” means a party selling risks.

The term “Participant” means a party purchasing or receiving risks.

Point b

Sufficiently Clear.

Point c

Sufficiently Clear.

Paragraph (2)

In accordance with the laws and regulations, assignment of the right to claim will be notified to a Bank’s debtor.

Paragraph (3)

Sufficiently Clear.

Paragraph (4)

Sufficiently Clear.

Article 5

Paragraph (1)

The term “Bank’s capital” means:

a. the core capital and supplementary capital as specified in OJK’s regulation on the obligation to provide a minimum capital requirements of a Bank headquartered in Indonesia; and
b. business fund, for a branch office of a Bank domiciled overseas.

Business fund as a capital component for a branch office of a Bank domiciled overseas is calculated as follows:

a. in the event that the actual business fund is bigger than the declared business fund, then the declared business fund will be used; and in the event that the actual business fund is lower than the declared business fund, then the actual business fund will be used.

Paragraph (2)

Point a

Current accounts, time deposit and savings owned by Non-Residents are also included in short-term ULN Bank without calculating the period .

Point b

Sufficiently Clear.

Point c

TPR amount calculated in the daily balance position of Short-Term Liabilities is equal to the amount of participated credit and/or other facilities.

Paragraph (3)

The term “Original maturity” means a term from the occurrence of Bank’s liabilities until the due date.

Article 6

Paragraph (1)

The Exemption for Bank’s liabilities to limit the daily balance position of Short-Term Liabilities in order to overcome the handle Bank’s urgent problem is aimed for, among others, Bank’s recovery. The relevant authority includes LPS or OJK. LPS may provide information to Bank Indonesia if a Bank is in resolution and LPS acts as a shareholder.

Paragraph (2)

Sufficiently Clear.

Article 7

Paragraph (1)

Point a

The term “Controlling shareholder” means the controlling shareholder as specified in OJK’s regulation on controlling shareholders.

The term “Difficulty in liquidity” means difficulty in meeting short-term liabilities due to smaller incoming fund than the outgoing fund (mismatch) in foreign currency and rupiah, excluding for business expansion activities.

Point b

The term “Credit extension to real sector” means direct credit extension from a Bank to real sector.

The term “Real sector” means a business activities of an entity in Indonesia producing goods and services, excluding business activities in financial sector.

Point c

The term “Business fund” means a business fund specified in OJK’s regulation on business funds.

Point d

The term “Bank’s liabilities to Non-Residents arising from hedging transactions” mean Bank’s liabilities arising from mark-to-market activities of a Bank’s derivative transactions recorded on balance sheet.

Derivative transaction means a transaction based on a payment contract or agreement whose value is a derivative from its underlying instrument, such as interest rate, exchange rate, commodity, equity, and index, either followed by fund or instrument movement or not, excluding credit derivative transactions.

Derivative transactions in foreign currency against rupiah shall be subject to Bank Indonesia provisions on transactions in foreign currency against rupiah between a bank and foreign party.

The term "Hedging" means a method or technique to reduce risks, arising or

posibly arising, from price fluctuation in the financial market. Hedging transactions by a Bank refer to Bank Indonesia provisions on Bank's hedging transactions.

Point e

The term "Current accounts, savings, and time deposits of foreign country's representatives and international institutions" mean current accounts, savings, and time deposits used for international activities.

Current accounts, savings, and time deposits of staff member of foreign country's representatives and international institutions are those owned by staff member of the foreign country's representatives and international institutions.

Foreign country's representatives also include representatives of the foreign country's regional government, which officially represents such regional government in performing their duties.

The term "International institution" means an institution with membership, scope of work, and/or existence which are international in nature with non-profit key activities, such as International Monetary Fund (IMF) and Islamic Development Bank (IDB).

Point f

Investment activities in Indonesia include share mutual fund, bond mutual fund, and combination of the two mutual funds.

Time Deposits, savings, and similar accounts other than current accounts of Non-Residents used for investment activities are excluded from those to be exempted.

The term "Securities issued by Bank Indonesia" mean securities issued by Bank Indonesia, which may be owned by Non-Residents; among others are Bank Indonesia Certificates (SBI) and/or Bank Indonesia Sharia Certificates (SBIS).

Point g

Reselling or divestment proceeds include principal and yields.

Time Deposits, savings, and similar accounts other than current accounts owned by Non-Residents used to deposit reselling or divestment proceeds shall are excluded from those to be exempted.

The term "Securities issued by Bank Indonesia" mean securities issued by Bank Indonesia, which may be owned by Non-Residents, among others are Bank Indonesia Certificates (SBI) and/or Bank Indonesia Sharia Certificates (SBIS).

Point h

The Use of current accounts owned by Non-Residents who are non-controlling shareholders of the Bank in a credit extension to infrastructure projects includes:

1 to temporarily deposit fund before it is extended by the current account's holder to a debtor in an infrastructure project; and

2 to receive payment from a debtor in an infrastructure project,

excluding credit extended in two-step loan. The scope of infrastructure projects refers to the relevant authority's provisions on mechanism of cooperation conducted by the government and a business entity in infrastructure provision.

Point i

The term “Supranational institution” means a multilateral financial institution established by 2 (two) countries or more, conducting activities in financing, grant, and/or technical assistance to boost the economic development of its member countries.

Supranational institutions are among others, Asian Development Bank (ADB), Islamic Development Bank (IDB), and World Bank Group consisting of International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC).

The scope of infrastructure project refers to the relevant authority’s provisions on mechanism of

cooperation conducted by the government and a business entity in infrastructure provision.

Point j

The term “OJK’s regulation” means OJK’s regulation on the obligation minimum of capital requirements for commercial banks.

Current accounts or time deposit accounts may be at a Bank which will receive the paid up capital or any other Bank appointed by OJK.

Paragraph (2)

Sufficiently Clear.

Paragraph (3)

Sufficiently Clear.

Article 8

Sufficiently Clear.

Article 9

Paragraph (1)

The term “Market Entry ” means:

a for ULN Bank in the form of loan agreement, is when a loan agreement is signed by both parties;

b for debt securities issued on the stock exchange, is upon official commencement of public offering;

c for debt securities issued through private placement, is on the date of debt securities issuance; and

d for TPR, is on the effective date of TPR agreement between a participant and grantor on risk transfer of individual credit and/or other facilities.

Paragraph (2)

Sufficiently Clear.

Paragraph (3)

Sufficiently Clear.

Paragraph (4)

Sufficiently Clear. Paragraph (5)

The term “Bank’s business plan” means a business plan as specified in OJK’s regulation on Bank’s business plan .

Market entry plan specified in a Bank’s business plan includes a Short-Term Liabilities plan whose term is extended more than 1 (one) year, so it becomes Long-Term Liabilities.

Paragraph (6)

Point a

The term “Subordinated loan” means a loan declared to meet subordination criteria by OJK as specified in OJK’s provision on obligation of minimum capital requirements for commercial banks.

Point b

Request for approval of a market entry plan for extremely required Long-Term Liabilities to handle Bank’s urgent problem(s) is aimed for, among others, bank recovery.
The relevant authority includes LPS or OJK. LPS may provide information to Bank Indonesia if a Bank is in resolution and LPS acts as a shareholder.

Article 10

Sufficiently Clear.

Article 11

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Point a

Sufficiently Clear.

Point b

The terms and conditions include:

1. for ULN Bank and other liabilities in foreign currency other than TPR , among others are currency, amount of liabilities,

   form of liabilities, creditor’s name, relationship with creditor, maturity profile for principal and interest, interest rate or indicative coupon, relevant fees, and debt covenant; and
2. for TPR are among others participant, relationship with participant, debtor’s name, information on loan underlying the TPR , TPR interest rate, and agreed participation fund.

Particularly, for Bank’s liabilities in the form of debt securities, potential buyer or targeted buyer and underwriter or lead manager are also considered.

Point c

Macroeconomic condition among others includes debt service ratio of Indonesia, national solvency condition, debt composition of Indonesia, and national economy development. Financial market condition among others includes development of interest rate, yield, exchange rate, sovereign rating, and risks.

Point d

Financial system condition among others includes the leverage trend in the banking sector.

Point e

The term “Bank’s financial condition” means the analysis result of a Bank’s condition reflecting its ability to pay its liabilities to another party as well as capital resilience, among others includes liquidity, solvency, and profitability conditions.

Point f

Sufficiently Clear.

Paragraph (3)

OJK’s recommendations among others relate to a Bank’s risk profile, analysis of cash flow forecast, and financial condition.

Article 12

Sufficiently Clear.

Article 13

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Sufficiently Clear.

Paragraph (3)

The term “Corporate action” means merger, consolidation, demerger, or acquisition as specified in the Law on limited liability companies.

Paragraph (4)

Sufficiently Clear.

Article 14

Paragraph (1)

Point a

Sufficiently Clear.

Point b

The term “Transaction settlement date” means the date on which fund transfer and debt securities have been settled by the parties of a transaction.

Paragraph (2)

Sufficiently Clear.

Paragraph (3)

Sufficiently Clear.

Paragraph (4)

Sufficiently Clear.

Paragraph (5)

The term “Differences of terms and conditions” among others include different forms of liabilities, currency, amount of liabilities, interest or coupon rate, maturity profile of the principal and interest, related fees, and debt covenants.

Clarification of causes of differences in terms and conditions of Long-Term Liabilities during, before, and after entering the market may be accompanied with supporting documents.

Paragraph (6)

Information on fund extension includes business sector of fund beneficiary, term, fund beneficiary, use purpose by fund beneficiary, and other information.

Paragraph (7)

Sufficiently Clear.

Article 15

Sufficiently Clear.

Article 16

Sufficiently Clear.

Article 17

Sufficiently Clear.

Article 18

Sufficiently Clear.

Article 19

Sufficiently Clear.

Article 20

Paragraph (1)

The term "Day" means a day at the time Bank Indonesia Office conducts clearing activities and Bank Indonesia - Real Time Gross Settlement System.

Paragraph (2)

The term "Day" means a day at the time Bank Indonesia Office conducts clearing activities and Bank Indonesia - Real Time Gross

Settlement System.

Paragraph (3)

Sufficiently Clear.

Paragraph (4)

Sufficiently Clear.

Paragraph (5)

Sufficiently Clear. Article 21

Sufficiently Clear.

Article 22

Paragraph (1)

Point a

Sufficiently Clear.

Point b

Sufficiently Clear.

Paragraph (2)

The second breach within 1 (one) year is calculated from the date of the first breach.

Breach date means the date when Long-Term Liabilities are recorded on a Bank's balance sheet.

Point a

Sufficiently Clear.

Point b

Sufficiently Clear.

Point c

Prohibition from lodging a request for approval of market entry plan for 1 (one) year starts from the date of the sanction imposition.

Paragraph (3)

Cancellation of an underlying agreement on entering the market by a Bank may be proven by submitting supporting documents to Bank Indonesia.

Evidence of cancellation of Long-Term Liabilities transaction are among others voucher of cancellation of transaction recording in a bank's General Ledger or any other evidence deemed sufficient by Bank Indonesia.

Article 23

The term "The relevant authority" means OJK and Indonesia Deposit Insurance Corporation (LPS).

Article 24

Sufficiently Clear.

Article 25

Sufficiently Clear.

Article 26

Paragraph (1)

Bank's liabilities in international trade are among others *letter of credit* (L/C), *usance* L/C, *red clause* L/C, *stand by* L/C, and other similar documents.

Paragraph (2)

The term "Pre-shipment financing facility" means a financing facility granted to an exporter prior to shipment of goods.

Article 27

Sufficiently Clear.

Article 28

Sufficiently Clear.